

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02

PRS-01 /118 W

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R 211616Z JAN 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7043

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY JIDDA

AMEMBASSY ALGIERS

AMEMBASSY MOSCOW

AMEMBASSY ROME

AMEMBASSY BONN

UNCLAS SECTION 01 OF 02 PARIS 01929

E.O. 11652: N/A

TAGS: ENRG EAL FR SA UR

SUBJECT: FRENCH OIL DEVELOPMENTS

REF: PARIS 29729 NOTAL

1. FRENCH PETROLEUM CONSUMPTION IN 1975 DROPPED BACK ALMOST TO 1972 LEVELS, AND AT 95.7 MILLION TONS DURING THE YEAR STOOD ALMOST 10 PERCENT BELOW 1973 CONSUMPTION. FOR MAJOR PRODUCTS, THE SHARPEST DECLINE WAS IN HEAVY FUEL OIL CONSUMPTION (DOWN ABOUT 17 PERCENT FROM 1974 LEVELS DUE TO THE RECESSION); HOME HEATING OIL CONSUMPTION DECLINED AGAIN DUE TO THE SECOND STRAIGHT MILD WINTER. GASOLINE CONSUMPTION HOWEVER REMAINED DISCONCERTINGLY HIGH, RECOVERING TO VERY SLIGHTLY ABOVE UNCLASSIFIED

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1973 LEVELS. MAJOR PRODUCT CONSUMPTION WAS AS FOLLOWS:

GASOLINES 16 MILLION TONS/YEAR, HOME HEATING OIL 30 MILLION TONS/YEAR, AND HEAVY FUEL OIL 29 MILLION TONS/YEAR.

2. FRENCH OIL IMPORTS, DUE TO DESTOCKING FROM ABNORMALLY HIGH 1974 LEVELS, DROPPED ALMOST 20 PERCENT DURING 1975 TO 105 MILLION TONS. MAJOR SUPPLIES (75 PERCENT) CONTINUE TO COME FROM MIDDLE EAST, PARTICULARLY P.G. TERMINALS. SAUDI ARABIA IS MAJOR SUPPLIER, FURNISHING ALMOST ONE-THIRD OF TOTAL; SECOND MAJOR SUPPLIER--IRAQ--IS FAR BEHIND WITH APPROXIMATELY 12 PERCENT. ALGERIA ACCOUNTED FOR ONLY 5.5 PERCENT OF TOTAL SUPPLIES.

3. PRICES OF PETROLEUM PRODUCTS WERE INCREASED BY APPROXIMATELY 9 PERCENT AT END OF 1975, IN RESPONSE TO OPEC'S 10 PERCENT PRICE INCREASE OF OCTOBER. PERMISSIBLE CEILING PRICES WERE RAISED ON GASOLINES (4 PERCENT), DIESEL FUEL (8 PERCENT), HOME HEATING OIL (11 PERCENT), NAPHTHA (8 PERCENT) AND LPGS (APPROXIMATELY 3.5 PERCENT). HIGH TEST GASOLINE NOW COSTS 1.9 FRANCS/LITER, OR APPROXIMATELY \$1.55/GALLON, AND HOME HEATING OIL 0.67 FRANCS/LITER; THESE PRICES ARE 52 AND 132 PERCENT RESPECTIVELY ABOVE THEIR OCTOBER 1973 LEVELS. RESIDUAL FUEL OIL PRICES, HOWEVER, WERE NOT RAISED IN EFFORT NOT TO HARM POSSIBLE ECONOMIC RECOVERY (SEE REFTTEL, HOWEVER, FOR TAXATION DISINCENTIVE TO INCREASED RESIDUAL CONSUMPTION.)

4. AS USUAL, HOWEVER, NO ONE HAS BEEN FULLY PLEASED BY NEW PRICE AUTHORIZATIONS. REFINERS CLAIM THEY STILL WILL NOT BE ABLE TO RECOUP ALL OPERATING AND CAPITAL COSTS, AND THAT THEY WILL NOT BE ABLE TO FINANCE NEEDED RESTRUCTURING OF REFINERY INDUSTRY (COST OF NEEDED CRACKING UNITS DURING NEXT 5 YEARS ESTIMATED AT 10 MILLION FRANCS). GASOLINE RETAILERS CLAIM THEIR ALLOTTED MARGIN IS TOO SMALL, AND HAVE ENGAGED IN WILDCAT STRIKES TO PROVE THEIR POINT. FINALLY, ELECTRICITY AND GAS MONOPOLIES CLAIMING EQUIVALENT RATE INCREASES

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USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02

PRS-01 /118 W

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R 211621Z JAN 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7044

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

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TO FINANCE (IN THE FIRST CASE) A DEFICIT EXPECTED TO REACH OVER 5 BILLION FRANCS IN 1975, OR (IN THE SECOND CASE) EXPANDED PURCHASES OF IMPORTED GAS SUPPLIES.

5. REPORT OF SPECIAL COMMISSION ON GOF POLICY TOWARD OIL COMPANIES, COMMISSIONED BY GOF LAST YEAR IN WAKE OF LEFT-WING ATTACKS ON ADEQUACY OF GOF ADMINISTRATIVE AND LEGAL REGIME FOR OIL INDUSTRY (WHICH DATES FROM 1928), HAS FINALLY BEEN SUBMITTED TO GOVERNMENT BUT IS BEING CLOSELY HELD. ITS CONCLUSIONS ARE REPORTED TO CALL FOR NO MAJOR CHANGES, AND GOF IS APPARENTLY UNWILLING TO GIVE ITS OPPONENTS THE OPPORTUNITY TO ATTACK ITS REFORMIST IMAGE WHICH THE REPORT WOULD OFFER. WE

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UNDERSTAND REPORT BEING "RE-WORKED", WHICH MAY BE EUPHEMISM FOR PRIVATE INTERMENT.

6. GOF APPROVED PLANS IN EARLY JANUARY FOR LONG-DISCUSSED MERGER OF STATE-OWNED ELF/ERAP AND ITS 49 PERCENT PRIVATELY-OWNED AFFILIATE SNPA (AQUITAINE). MERGER ACTION FOLLOWS SEVERAL YEARS' JOINT MANAGEMENT, AND WILL HAVE LITTLE SIGNIFICANT EFFECT IN TERMS OF COMPANY POTENTIAL OR CAPACITIES. NEW GROUP TO BE CALLED SOCIETE NATIONALE ELF AQUITAINE (SNEA) WILL BENEFIT BY AVAILABILITY OF INCREASED (TO ELF/ERAP) CASH FLOW ASSOCIATED WITH SNPA'S LACQ GAS FIELD WHILE SNPA STOCKHOLDERS WILL HAVE LONG-TERM ADVANTAGE OF HOLDINGS IN MORE DIVERSIFIED COMPANY FOR PERIOD (POST 1983) WHEN GAS FIELDS PEAK OUT. NOT ALL ARRANGEMENTS FOR MERGER HAVE BEEN WORKED OUT, AND POSSIBILITY EXISTS THAT NEW PUBLIC STOCK ISSUE MAY BE FLOATED IN ORDER TO REDUCE GOVERNMENT SHARE IN SNEA.

7. FRANCO-SOVIET GAS CONTRACT BECAME EFFECTIVE 1 JANUARY AND SOVIETS REPORTEDLY BEGAN GAS DELIVERIES AS OF THAT DATE. SOVIET GAS BEING DELIVERED IN FACT TO ITALIANS (SNAM) IN SWAP FOR EQUIVALENT QUANTITIES OF ITALIAN-PURCHASED GAS FROM DRENTHE FIELD IN THE NETHERLANDS. CONTRACT CALLS FOR 1 BILLION CUBIC METER DELIVERIES IN 1976, CLIMBING TO 4 BILLION IN 1980 BY WHICH TIME DIRECT DELIVERIES MAY BEGIN THROUGH TRANS-FRG PIPELINE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, SUPPLIES, IMPORTS, CONSUMPTION, PETROLEUM INDUSTRY  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition History:** n/a  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
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**Page Count:** 4  
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**Reference:** 76 PARIS 29729  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** RowellE0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 JUN 2004 by schwenja>; APPROVED <12 JAN 2005 by RowellE0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FRENCH OIL DEVELOPMENTS  
**TAGS:** ENRG, FR, SA, UR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006